(b) what are the checks and balances in exercise of the search and seizure powers given to SEBI to ensure that these powers are not misused; and

(c) what steps Government propose to take to restore the faith of the investors in Indian capital markets?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) The Securities and Exchange Board of India (SEBI) Act, 1992 has been recently amended to, *inter-alia*, strengthen SEBI's powers of investigations and to provide SEBI with powers to search places and to seize books, registers and other documents considered necessary for the purposes of investigation. These provisions would enable SEBI to collect evidence in case of securities market violations and thereby regulate the capital market more effectively in the interests of investors.

(b) Search and seizure powers can be exercised only with the authorization of a Judicial Magistrate of the first class having jurisdiction.

(c) Besides the recent amendments to SEBI Act, SEBI has undertaken various measures for protecting interests of investors and restoring confidence of investors in Indian capital markets, which *inter-alia* include stringent entry norms for companies accessing public money; stipulations regarding promoter commitment to the project, lock-in, pricing etc. in preferential allotment made by companies; reduction in time in the issue process; improved continuous disclosures by the listed companies; compulsory dematerialization in IPOs; trading of securities in dematerialized form; introduction of rolling settlement; issuance of public notices to educate and caution investors about the risk associated with investments in equities etc.

Functioning of NBFCs without registration

1996. SHRI ABANI ROY: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether RBI has been actively considering to come down heavily on the Non-Banking Financial Companies which have been carrying their operation even after rejection of their registration applications;

(b) if so, the details of the NBFCs whose registration have been cancelled by RBI;

(c) whether the enforcement agencies have been asked to prevent operation of such firms in various States; and

(d) if so, by when such companies would be wound up to improve investor's confidence?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) The Reserve Bank of India (RBI) has initiated adverse action against errant Non-Banking Financial Companies (NBFCs) for various defaults and contraventions of the provisions of RBI Act. The Bank has issued orders prohibiting NBFCs whose applications for certificate of registration have been rejected from accepting further deposits and from alienation of assets except for repayment of the depositors. Their names are placed on Bank's Website, intimated to the relative Registrars of Companies and the Economic Offences Wings of the State Government. Besides, the public is also notified through an advertisement in the leading newspapers about the rejection of the application of the company.

(c) State Government have been provided with the State-wise lists of all rejected NBFCs by RBI with a request to invoke the provisions of Indian Penal Code against those conducting their business unauthorisedly in violation of the RBI Act.

(d) The rejected companies have been directed to stop carrying on the business of an Non-Banking Financial institution, continue to repay the public deposits held, if any, as per the terms of their acceptance. Such companies have been directed to convert themselves into a non-financial company or dispose of their financial assets or seek voluntary winding up within a period of three years from the date of their rejection.

In the Financial Companies Regulation Bill, 2000 which is presently before the Standing Committee on Finance, it has been provided that unauthorized conduct of financial business by an unregistered company would be a cognisable offence.

Income tax rebate for dependents

1997. SHRIMATI SUMITRA MAHAJAN: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that rebate is available under section 80DD of the Income Tax Act for the dependent family member of Government Servant;